Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

PAGE 01 STATE 098788
ORIGIN SS-10

INFO OCT-01 ISO-00 /011 R

66011
DRAFTED BY:S/S-O:SRPVALERGA
APPROVED BY:S/S-O:SRPVALERGA
----------063448 181936Z /41
O 181614Z APR 78 ZFF4
FM SECSTATE WASHDC
TO WHITE HOUSE NIACT IMMEDIATE 0000

UNCLAS STATE 098788

FOLLOWING REPEAT VANCOUVER 0487 ACTION SECSTATE DATED APR 18:

QTE:UNCLAS VANCOUVER 0487

DEPARTMENT PASS TREASURY OPCENTER IMMEDIATELY UPON RECEIPT. ARA
FOR PANAMA DESK OPENING BUSINESS APRIL 18.

E.O. 11652: N/A
TAGS: EFIN
SUBJECT: IDB MEETING: TREASURY DEPUTY SECRETARY CARSWELL S SPEECH

FOLLOWING IS PROPOSED TEXT BY DEPUTY SECRETARY CARSWELL FOR APRIL 18
DELIVERY AT IDB MEETING, 11:00 A.M. VANCOUVER TIME.

THIS AFTERNOON THE UNITED STATES SENATE WILL VOTE ON THE SECOND
PANAMA CANAL TREATY. THAT VOTE WILL BE THE CULMINATION OF EFFORTS
THAT BEGAN OVER FOURTEEN YEARS AGO TO RESOLVE THE DIVISIVE ISSUES
ABOUT CONTROL OF THE CANAL THAT HAVE LONG COMPLICATED RELATIONS
IN THIS HEMISHERE. OUR HOPE AND EXPECTATION IS THAT THESE TREATIES
WILL FINALLY SETTLE THESE ISSUES IN THE HEMISPHERE AND ESTABLISH A
MORE JUST AND EQUITABLE RELATIONSHIP BETWEEN THE UNITED STATES AND
PANAMA.
PRESIDENT CARTER HAS PERSONALLY LED THE EFFORT TO CONCLUDE A SUCCESS
UNCLASSIFIED

PAGE 02 STATE 098788

FULL NEGOTIATION, TO WIN ITS ACCEPTANCE BY OUR CITIZENS AND TO GAIN
SENATE RETIFICAT THE SENATE ITSELF HAS SET ASIDE MANY OTHER
IMPORTANT MATTERS AND HAS DEVOTED MORE THAN TWO MONTHS TO A CAREFUL
CONSIDERATION OF THE TREATIES MERITS AND OF THEIR HISTORIC IMPLICA
TIONS. I WOULD SUGGEST THAT THIS RECORD CLEARLY ESTABLISHES THE
IMPORTANT PRIORITY THAT THIS ADMINISTRATION ASSIGNS TO ITS RELATIONS
IN THE HEMISPHER.
THE TREATIES ARE ALSO VISIBLE EVIDENCE OF THE SUBSTANCE OF U.S.
POLICY TOWARD LATIN AMERICA AND ILLUSTRATE THREE MAJOR PRINCIPLES
THAT GUIDE US:

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

-- FIRST, RESPECT BY EVERY NATION FOR THE POLITICAL INTEGRITY AND
ECONOMIC AND SOCIAL ASPIRATIONS OF EVERY OTHER NATION.
--SECOND, RECOGNITION OF THE ESSENTIAL INTERDEPENDENCE OF DEVELOPED
AND DEVELOPING ECONOMIES.
-- THIRD, IMPRESSIVE PROGRESS IN MANY OF THE WORLD S DEVELOPING
COUNTRIES -- ESPECIALLY IN LATIN AMERICA -- WHICH ENABLES THEM, BY
ABILITY AS WELL AS RIGHT, TO PLAY AN INCREASINGLY IMPORTANT ROLE
ON THE INTERNATIONAL ECONOMIC SCENE.
THIS VANCOUVER MEETING IS ITSELF A REFLACTION OF THE INEXORABLE
CURRENTS AT WORK. THE INTER-AMERICAN DEVELOPMENT BANK NOW EMBRACES
NOT ONLY THIS MOST HOSPITABLE OF HOST COUNTRIES, CANADA, BUT MANY
OTHER DEVELOPED COUNTRIES AROUND THE WORLD. WHAT WAS ORIGINALLY A
REGIONAL INSTITUTIONHAS ACQUIRED A GLOBAL BASE, AND BECOME PART OF
A WORLD-WIDE SYSTEM OF HIGHLY IMPORTANT FINANCIAL AND DEVELOPMENT
INSTITUTIONS.
UNITED STATES SUPPORT OF THE BANK, LIKE OUR OTHER
RESPONSES
TO LATIN
AMERICAN ASPIRATIONS, IS AN ELEMENT IN OUR GLOBAL APPROACH TO THE
PROBLEMS OF THE INTERNATIONAL ECONOMIC ORDER -- GLOBAL GROWTH AND
PROSPERITY, MAKING OPTIMUM USE OF MATERIAL AND HUMAN RESOURCES
IN A LIVABLE ENVIRONMENT, ENSURING THE ESSENTIAL JUSTICE OF INTERNA-
TIONAL SYSTEM AS A WHOLE.
UNCLASSIFIED

U.S. POLICIES FOR DEVELOPMENT
LAST YEAR, SECRETARY BLUMENTHAL OUTLINED FOR YOU THE COMPREHENSIVE
NATUR OF U.S. POLICIES AND ACTIONS BENEFITTING THE DEVELOPING WORLD.
HE DEEPLY REGRETS THAT HE IS UNABLE TO BE HERE TODAY., TO RENEW
THE MANY WARM CONTACTS WITH OTHER GOVERNORS HE MADE IN GUATEMALA.
HE RECENTLY WAS THE HOST AT A LUNCHEON IN WASHINGTON WITH PRESIDENT
ORTIZ MENA AND REPRESENTATIVES OF MANY OF YOUR CONTRIES IN ORDER
TO MAINTAIN HIS PERSONAL INVOLVEMENT INN U.S.-LATIN AMERICAN ECONOMIC
RELATION. AND HE HAS ASKED ME TO EMPHASIZE THAT THE UNITED STATES
REMAINS ABSOLUTELY COMMITTED BOTH TO THE IMPLEMENTATION OF POLICIES
BENEFICIAL TO THE DEVELOPING WORLD, AND TO THE CONSTANT SEARCH FOR
ADDITIONAL WAYS IN WHICH U.S. INTERESTS AND THE INTERESTS OF
DEVELOPING NATIONS CAN BE HARMONIZED AND BETTER SERVED.
THIS SEARCH FOR A CONVERGENCE OF INTERESTS, A SHARING OF
RESPONSIBILITY FOR SOLUTIONS TO COMMON PROBLEMS, A COMMITMENT TO
PARTNERSHIP, WAS A CENTRAL THEME OF PRESIDENT CARTER S RECENT JOURNEY
TO LATIN AMERICA. DURING HIS VISIT TO VENEZUELA, ONE OF THE GREAT
DEMOCRACIES OF THE HEMISPHERE, HE SAID:
OUR SPECIFIC OBLIGATIONS WILL BE DIFFERENT, OUR INTERESTSA AND
EMPHASES WILL VARY -- BUT ALL OF US, NORTH AND SOUTH EAST AND WEST,
MUST BEAR OUR PART OF THE BURDEN. IF THE RESPONSIBILITY FOR GLOBAL
PROGRESS IS NOT SHARED, OUR EFFORTS WILL CERTAINLY FAIL, ONLY IF THE
RESPONSIBILITY IS SHARED, CAN WE ATTAIN THE GOALS THAT OUR PEOPLE
WANT AND THAT OUR TIMES DEMAND.
WE BELIEVE THE IDB HAS LONG SYMBOLIZED THIS ASPIRATION.
THE BANK IS A UNIQUE COOPERATIVE EFFORT BETWEEN DONORS AND RECIPIENTS
AND ITS POLICIES ARE SHAPED BY BOTH.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

FOR THE UNITED STATES, AN IMPORTANT PART OF THE JOINT
RESPONSIBILITY OF WHICH PRESIDENT CARTER SPOKE IS MAINTAINING THE
STRENGTH OF THE DOLLAR AND THE MONETARY SYSTEM. THE UNITED STATES
IS DEEPLY CONCERNED ABOUT THE VALUE OF THE DOLLAR AND
RECOGNIZES THAT CURRENCY STABILITY IS IN THE INTEREST OF THE
U.S. AND THE WORLD ECONOMY. A STABLE DOLLAR CAN ONLY BE ACHIEVED
BY DEALING WITH THE FUNDAMENTAL U.S. ECONOMIC SITUATION.
ON APRIL 11 THE PRESIDENT ANNOUNCED COMPREHENSIVE NEW
MEASURES TO COMBAT INFLATION. THESE INCLUDED A SERIES OF
UNCLASSIFIED

MEASURES DESIGNED TO: (1) LIMIT THE SIZE OF THE 1979 AND
FUTURE FEDERAL BUDGET DEFICITS, (2) RESTRICT THE SALARY
INCREASE OF FEDERAL GOVERNMENT EMPLOYEES, FREEZE THE SALARIES
OF EXECUTIVE APPOINTEES FOR ANOTHER YEAR, AND URGE SIMILAR
WAGE RESTRAINT ON STATE AND LOCAL GOVERNMENTS AND PRIVATE
BUSINESSES, (3) SEEK VOLUNTARY PRICE RESTRAINT IN VARIOUS
ECONOMIC SECTORS, AND(4) REDUCE THE INFLATIONARY EFFECT OF
PAST AND FUTURE REGULATORY ACTIONS BY THE GOVERNMENT, WHILE
RESISTING PROPOSED LEGISLATION IN SEVERAL FIELDS WHICH WOULD
CONTRIBUTE TO INFLATION.
IN THE ENERGY FIELD THE PRESIDENT ONCE AGAIN URGED THE
U.S. CONGRESS TO ADOPT MEANINGFUL ENERGY LEGISLATION WITHOUT
FURTHER DELAY AND INDICATED THAT, IF CONGRESS DID NOT ACT,
OIL IMPORTS WOULD HAVE TO BE LIMITED BY ADMINISTRATIVE
ACTION UNDER PRESENT LAW.
A THIRD AREA OF PRIORITY ACTION IS EXPORT EXPANSION.
WE ARE ENCOURAGING AMERICAN FIRMS TO BECOME MORE EXPORTCONSCIOUS.
THE ADMINISTRATION IS SUPPORTING A SHARP INCREASE
IN THE LENDING ACTIVITIES OF THE EXPORT-IMPORT BANK. ALSO,
IN HIS ADDRESS ON APRIL 11 THE PRESIDENT CALLED FOR A CABINET-
LEVEL TASK FORCE TO DEVELOP ADDITIONAL MEASURES TO PROMOTE
EXPORTS, AND TO REPORT BACK TO HIM WITHIN 60 DAYS.
THE RECENT DISORDERS IN THE FOREIGN EXCHANGE MARKET
HAVE REFLECTED DOUBTS ABOUT THE U.S. ABILITY TO REDUCE ITS
TRADE DEFICIT. ONCE MARKETS SEE THAT WE ARE PROCEEDING IN THE
RIGHT DIRECTION ON THE FUNDAMENTALS -- BY CURBING INFLATIONS,
REDUCING OIL IMPORTS, AND PROMOTING EXPORTS -- I WOULD EXPECT
MARKETS
TO CALM. THE U.S. WILL, HOWEVER, CONTINUE TO INTERVENE TO THE
EXTENT NECESSARY TO COUNTER DISORDERLY CONDITIONS IN THE MARKET AND
TO CURB DESTABILIZING SPECULATION.
THE INTERNATIONAL MONETARY SYSTEM IS ALSO BEING STRENGTHENED
BY MEASURES TO ENHANCE THE SOLE AND RESOURCES OF THE INTERNATIONAL
UNCLASSIFIED

MONETARY FUND. THE AMENDED IMF ARTICLES HAVE JUST ENTERED INTO
FORCE. THEY PROVIDE A NEW LEGAL FRAMEWORK FOR INTERNATIONAL
FINANCIAL RELATIONS, INCLUDING EXPANDED IMF AUTHORITY OVER EXCHANGE
RATE PRACTICES. THE RESOURCES OF THE FUND HAVE BEEN INCREASED

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

BY ONE-THIRD, TO ABOUT DOLS48 BILLION, THROUGH IMPLEMENTATION OF NEW QUOTAS. THE SUPPLEMENTARY FINANCING FACILITY WILL PROVIDE AN ADDITIONAL DOLS10.5 BILLION IN RESOURCES FOR USE IN ASSISTING THOSE MEMBERS WITH SEVERE BALANCE OF PAYMENTS PROBLEMS, INCLUDING OF COURSE DEVELOPING COUNTRIES. LEGISLATION AUTHORIZING U.S. PARTICIPATION IS NOW BEFORE CONGRESS, AND FINAL ACTION SHOULD BE COMPLETED IN THE NEAR FUTURE.
WORLD PAYMENTS ARE LARGELY A REFLECTION OF WORLD TRADE. IN THIS KEY AREA, THE ADMINISTRATION HAS DEMONSTRATED CONCRETELY ITS DEDICATION TO THE AVOIDANCE OF NEW BARRIERS TO IMPORTS FROM DEVELOPING COUNTRIES, AND TO FURTHER REDUCTION OF EXISTING BARRIERS THROUGH THE MULTILATERAL TRADE NEGOTIATIONS. WE REJECT PROTECTIONISM, WHERE PROBLEMS EXIST, OUR RELIANCE IS ON STRENGTHENED DOMESTIC ADJUSTMENT POLICIES OR ON NEGOTIATION OF TEMPORARY RELIEF MEASURES IN SPECIFIC CASES. WE DO INSIST ON FAIRNESS IN TRADING PRACTICES, IN SUCH PROBLEM AREAS AS EXPORT SUBSIDIES, WE MUST WORK TOGETHER TO AVOID ECONOMIC CONFLICT.
IN THE MAIN, HOWEVER, THE U.S. OFFERS A SOLID AND GROWING MARKET FOR GOODS AT ALL STAGES OF PROCESSING FROM DEVELOPING COUNTRIES. MORE THAN 25 PERCENT OF OUR IMPORTS OF MANUFACTURES NOW COME FROM NON-OIL DEVELOPING COUNTRIES, COMPARED TO JUST 15 PERCENT IN 1972. THE GENERALIZED SYSTEM OF PREFERNCES ALLOWED DOLS 3.9 BILLION WORTH OF GOODS TO ENTER THE U.S. DUTY FREE IN 1977 , INCLUDING DOLS 1.1 BILLION FROM LATIN AMERICA. KEEPING OUR MARKETS OPEN HAS NOT BEEN AN EASY TASK FOR THE ADMINISTRATION IN FACE OF THE HIGH UNEMPLOYMENT SITUATION AND
A SIZABLE TRADE DEFICIT. BUT THE REASONS FOR MAINTAINING A LIBERAL TRADING STANCE ARE SOUND: MINIMIZING INFLATION, CREATING TRADE-RELATED JOBS, AVOIDING INTERNATIONAL CONFLICT. THESE CONSIDERATIONS WILL CONTINUE TO GUIDE OUR
UNCLASSIFIED

POLICY.
TRADE IN COMMODITIES HAS BEEN A SPECIAL AREA OF CONCERN TO DEVELOPING COUNTRIES, INCLUDING MANY IN LATIN AMERICA. THE UNITED STATES HAS RESPONDED ACTIVELY AND CONSTRUCTIVELY IN THIS AREA. WE UNDERSTAND THE CONCERN OF DEVELOPING COUNTRIES OVER EXCESSIVE PRICE FLUCTUATIONS AND RESULTANT DISRUPTIONS IN FOREIGN EXCHANGE EARNINGS, DOMESTIC INVESTMENT AND EMPLOYMENT. WE AGREE THAT IT IS DESIRABLE TO SEEK INTERNATIONAL MEASURES TO STABLILIZE PRICES AROUND MARKET TRENDS, AND BELIEVE THAT IS IS IN OUR OWN NATIONAL ECONOMIC INTEREST AS WELL AS THAT OF THE WORLD COMMUNITY TO DO SO WHEREVER FEASIBLE. THUS WE ARE PARTICIPATING IN INTERNATIONAL STABILIZATION AGREEMENTS COVERING COFFEE, TIN, AND SUGAR AND ARE TAKING PART IN DISCUSSIONS OF POSSIBLE ARRANGEMENTS FOR RUBBER, WHEAT AND COPPER.
THE FOREIGN INVESTMENT POLICY OF THE UNITED STATES HAS LIKEWISE BEEN ATTUNED TO THE NEEDS AND INTERESTS OF THE DEVELOPING WORLD. BASIS DECISIONS REMAIN WITH PRIVATE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

INVESTORS, BUT WE ARE FACILITATING SUCH FLOWS WHENEVER POOSIBLE. THE LIFE OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION HAS BEEN EXTENDED, AND A SPECIAL FOCUS HAS BEEN GIVEN TO THE POORER COUNTRIES IN ITS OPERATIONS. IMPORTANT ELEMENTS OF NEW TECHNOLOGY, BOTH IN TERMS OF EQUIPMENT AND OF METHODS AND CONCEPTS ARE LINKED WITH U.S. INVESTMENTS OVERSEAS. OUR ENCOURAGEMENT OF SUCH INVESTMENT THUS AMPLY MEETS THE TEST OF MUTUALITY OF BENEFITS.

THROUGH THIS FAR-REACHING ARRAY OF POLICIES, THE UNITED STATES IS MAKING A MAJOR CONTRIBUTION TO ECONOMIC PROGESS AND THE ALLEVIATION OF HUMAN WANT IN DEVELOPING COUNTRIES AROUND THE WORLD. WE DO SO FOR REASONS BOTH PRACTICAL AND IDEALISTIC, WE TAKE GREAT SATISFACTION IN OBSERVING THE IMPRESSIVE PROGRESS OF THOSE MORE ADVANCED
UNCLASSIFIED

OF THE LESS DEVELOPED COUNTRIES, WHOSE BILLION OR SO INHABITANTS ARE BEGINING TO ENJOY MORE ACCEPTABLE CONDITIONS OF DAILY LIFE AND WHO ARE ASSUMING A GROWING IMPORTANCE IN THE FUNCTIONING OF THE WORLD ECONOMY. THESE COUNTRIES ARE EMERGING AS FULL PARTICIPANTS IN THE WHOLE FABRIC OF INTERNATIONAL EXCHANGE -- AS WELL AS RESPONSIBLE PARTICIPANTS IN THE INTERNATIONAL POLITICAL FRAMEWORK NECESSARY FOR A PEACEFUL PLANET.

AT THE SAME TIME, OUR HUMANITARIAN INSTINCTS ARE DISTURBED AT THE CONTINUING PLIGHT OF LARGE NUMBERS OF PEOPLE IN THESE COUNTRIES, AS WELL AS THOSE IN THE LEAST DEVELOPED COUNTRIES, WHO HAVE VASTLY DIFFERENT ENDOWMENTS, ATTAINMENTS AND PROSPECTS. THE MOST ELEMENTAL REQUIREMENTS FOR SUSTAINING HUMAN LIFE ITSELF ARE OFTEN UNMET IN THESE COUNTRIES. HEROIC STRUGGLES WILL BE NECCESSARY TO BREAK THE GRIP OF STAGNATION AND PREVENT POVERTY FROM FEEDING ON POVERTY. THESE ARE THE SITUATIONS WHERE EXTERNAL HELP ON CONCESSIONAL TERM MUST BE CONCENTRATED, AND WHERE OUR GREATEST EFFORTS MUST BE DIRECTED.
TO HELP IN THIS ENDEAVOR THE UNITED STATES INCREASED ITS FOREIGN ASSISTANCE BY 31 PERCENT IN 1977 -- 20 PERCENT FOR BILATERAL AID, AND A MASSIVE 69 PERCENT FOR MULTILATERAL AID INCLUDING FOR THE IDB. SINCE 1975, THE SHARE OF U.S. GROSS NATIONAL PRODUCT DEVOTED TO FOREIGN ASSISTANCE IS BEGINNING TO CLIMB UPWARD AFTER A DECADE OF DECLINE. PRESIDENT CARTER HAS PROPOSED A FURTHER 24 PERCENT RISE IN 1978, INCLUDING ANOTHER 70 PERCENT INCREASE IN OUR CONTRIBUTIONS TO THE DEVELOP-MENT BANKS.

THE GROWING DYNAMISM OF LATIN AMERICA

BY ANY STANDARD, IT IS LATIN AMERICA THAT HAS BEEN DEMONSTRATING THE GREATEST DYNAMISM AMONG THE LESS DEVELOPED COUNTRIES. LAST YEAR, REGIONAL GDP EXPANDED BY MORE THAN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

5 PERCENT AFTER GROWING BY 4.8 PERCENT IN 1976. BACK IN
UNCLASSIFIED

1975, WHEN THE INDUSTRIALIZED WORLD HAD PLUNGED INTO DEEP
RECESSION, LATIN AMERICAN ECONOMIES CONTINUED TO GROW AT AN
IMPRESSIVE RATE OF ALMOST 3 PERCENT.

LATIN AMERICAN GROWTH WOULD HAVE BEEN EVEN HIGHER IN
1977 IF SEVERAL MAJOR COUNTRIES INCLUDING BRAZIL, MEXICO, AND
ARGENTINA HAD NOT BEEN IMPLEMENTING NECESSARY STABLIZATION
PROGRAM UNDER WHICH ALL MADE SIGNIFICANT PROGRESS. LONGER
TERM TRENDS HAVE ALSO BEEN FAVORABLE. THE AVERAGE RATE OF
EXPANSION SINCE 1965 HAS BEEN SLIGHTLY OVER 6 PERCENT --
CONSIDERABLY BETTER THAN THE WORLD AS A WHOLE, WHICH GREW AT
ABOUT 4 PERCENT IF OIL PRODUCING COUNTRIES ARE EXCLUDED. THE
GDP OF THE REGION STOOD AT OVER DOLS 380 BILLION LAST YEAR, OR
A PER CAPITAL LEVEL OF ABOUT DOLS 1200. THIS WAS FAR ABOVE
THE LEVEL
OF AFRICA AND ASIA (EXCLUDING JAPAN).
ON THE EXTERNAL SIDE, LATIN AMERICAN EXPORTS GREW AT
A RAPID PACE IN 1977 -- RISING BY ABOUT DOLS9 BILLION TO MORE
THAN DOLS 50 BILLION. THE CURRENT ACCOUNT IN THE REGIONAL BALANCE
OF PAYMENTS IMPROVED BY ABOUT DOLS2.5 BILLION, AIDED BY A LARGE
TRADE SURPLUS OF DOLS3.2 BILLION WITH THE UNITED STATES, AS
COMPARED TO A SLIGHT DEFICIT THE YEAR BEFORE. BY THE END OF THE
YEAR, COMBINED INTERNATIONAL RESERVES WERE DOLS22 BILLION -- MORE
THAN QUADRUPLE THE LEVEL OF ONLY SIX YEARS EARLIER. IMPROVING
EXTERNAL PERFORMAANCE IN MOST COUNTRIES OF THE REGION, COUPLED
WITH MARKED IMPROVEMENTS IN DEBT MANAGEMENT CAPABILITIES, MEANT
THAT THE PROBLEM OF EXTERNAL DEBT WAS AT LEAST STABILIZED IN
REAL TERMS, IF NOT ACTUALLY BECOMING EASIER.

THESE FAVORABLE DEVELOPMENTS IN THE AGGREGATE STATISTICS
DO NOT MEAN, OF COURSE, THE SOLUTION OF ALL LATIN AMERICA S
PROBLEMS. THE REGION IS MUCH TOO DIVERSE FOR THAT TO BE THE CASE.
MUCH POVERTY REMAINS -- AN ESTIMATED 42 PERCENT OF THE PEOPLE IN
UNCLASSIFIED

LATIN AMERICA LIVE IN POVERTY, IRREGUTARLY DISTRIBUTED BETWEEN
AND WITHIN COUNTRIES. MUCH STILL NEEDS TO BE DONE TO IMPROVE
DOMESTIC RESOURCE MOBILIZATION AND INCOME DISTRIBUTION.
WE BELIEVE THIS CAN BE DONE. LATIN AMERICAN NATIONS
IN GENERAL HAVE REACHED A LEVEL OF MATURITY -- IN THEIR PLANNING
CAPABILITIES, IN THE QUALITY OF THEIR PUBLIC ADMINISTRATION,
IN THE SOPHISTICATION AND VITALITY OF THEIR PRIVATE SECTORS, AND
IN THE PROVISION OF ESSENTIAL SERVICES TO THEIR CITIZENS -- THAT
PLACES THE CONSOLIDATION OF DEVELOPMENT PROGRESS WITHIN THEIR
GRASP. IN NO OTHER REGION OF THE DEVELOPING WORLD IS THIS
PHENOMENON SO WIDESPREAD AS IN LATIN AMERICA.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THE FUTURE ROLE OF THE IDB

THIS ASSESSMENT OF LATIN AMERICAN S RELATIVELY ADVANCED
POSITION ALONG THE SPECTRUM OF DEVELOPMENT HAS MAJOR IMPLICATIONS
FOR THE FUTURE ACTIVITY OF THE INTER-AMERICAN DEVELOPMENT BANK.
IN PARTICULAR, IT AFFECTS THE BALANCE BETWEEN HARD LOAN AF SOFT
LOAN RESORCE REQUIREMENTS, COMPARED TO INSTITUTIONS SERVING OTHER
AREAS OF THE DEVELOPING WORLD. IT IS, INEVITABLY, A CENTRAL ISSUE
FOR DISCUSSION IN THE CONTEXT OF THE NEXT REPLENISHMENT OF THE
BANK'S RESOURCES.
IN TERMS OF COUNTRY DISTRIBUTION, FURTHER PROGRESS WAS
MADE IN 1977 IN DIRECTING RESOURCES ON THE BANK S MOST FAVORABLE
TERMS TO THE SMALLER AND POORER COUNTRIES. IN THE BANK S HARD
WINDOW, HOWEVER, FURTHER EFFORTS ARE NECESSARY TO ASSURE AN
EQUITABLE DISTRIBUTION OF RESOURCES TO COUNTRIES AND TO PROJECTS
REQURING DEVELOPMENT ASSISTANCE.
SOME OF THE OTHER LENDING DURING THE YEAR MAY FAIRLY BE
QUESTIONED IN TERMS OF PRIORITIES. FOR EXAMPLE, THE EXPORT CREDIT
PROGRAM IS UTILIZED PRINCIPALLY BY THE COUNTRIES BEST ABLE TO
RELY ON TRADITIONAL PRIVATE SOURCES OF SUCH FINANCING. WE
BELIEVE THAT THE BANK SHOULD DEVOTE ITS RESOURCES PRIMARILY TO
THOSE SECTORS AND PROJECTS FOR WHICH PRIVATE SOURCES OF FINANCING
ON APPROPRIATE TERMS ARE NOT AVAILABLE. MORE RESOURCES WOULD
THEREBY BE MADE AVAILABLE FOR PROJECTS OF DIRECT BENEFIT TO THE
UNCLASSIFIED

POORER SECTORS OF SOCIETY.
SEVERAL OTHER ASPECTS OF THE BANK S 1977 ACTIVITIES
DESERVE COMMENT:
-- COMPLEMENTARY FINANCING, DRAWING DIRECTLY ON PRIVATE
MARKET SOURCES FOR PROJECT LOANS, TOOK ON SIGNIFICANT
DIMENSIONS DURING THE YEAR AND OPENED THE WAY FOR
FURTHER DEVELOPMENT IN THE FUTURE.
-- THE EFFORT TO ENSURE THAT APPROPRIATE TECHNOLOGIES
ARE EMPLOYED IN PROJECTS FINANCED BY THE BANK
CONTINUED TO GATHER MOMENTUM DURING THE YEAR;
-- THE BANK S INTERNAL CAPACITY TO EVALUATE THE
EFFECTIVENESS OF ITS LOANS WAS STRENGTHENED IN
VARIOUS WAYS. IN ADDITION, THE GROUP OF CONTROLLERS,
AS AN INDEPENDENT EVALUATION MECHANISM, INITIATED
SEVERAL SUBSECTOR REVIEWS THAT WILL SHED FURTHER
LIGHT ON THE PROJECT LEDING PROCESS. WE BELIEVE
THAT AN INDEPENDENT EVALUATION MECHANISM IS ESSENTIAL
TO MAINTAIN DESIREABLE STANDARDS OF PERFORMANCE.

U.S. POLICY TOWARD THE IDB

I HAVE ALREADY NOTED THE SHARP INCREASE IN U.S.
FINANCIAL CONTRIBUTIONS TO THE MULTILATERAL FINANCIAL INSTITUTIONS
IN 1977. IN THE IDB, OUR CONTRIBUTION CLIMBED FROM DOLS270MILLIO
N
IN 1976 TO A SUPPLEMENTAL APPROPRIATION OF DOLS316 MILLION IN EARLY

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

1977 AND A FULL-YEAR APPROPRIATION OF DOLS481 MILLION FOR FY 1978--
A THREE-FOLD INCREASE DURING THE FIRST YEAR OF THE CARTER
ADMINISTRATION.
IN THE INTER-AMERICAN DEVELOPMENT BANK DURING THE YEAR,
AS IN OTHER SIMILAR INSTITUTIONS, U.S. REPRESENTATIVES HAVE
USED BOTH THEIR VOICE AND THEIR VOTE ON BEHALF OF THE CAUSE OF
HUMAN RIGHTS. WE BELIEVE THAT THE GOALS AND PURPOSES OF THE
UNCLASSIFIED

PAGE 11 STATE 098788

BANK ENCOMPASS A BROAD RANGE OF FUNDAMENTAL CONCERNS. WE ALSO
BELIEVE THAT SCARCE DEVELOPMENT FUNDS GENERALLY CAN BE BEST
UTILIZED TO PROMOTE ECONOMIC AND SOCIAL OBJECTIVES BY GOVERNMENTS
WHICH HAVE MANIFESTED A COMMITMENT TO PROTECTING AND PROMOTING
THE RIGHTS OF THEIR PEOPLE.
AS SECRETARY BLUMENTHAL EMPHASIZED LAST YEAR, WE SEEK TO
COOPERATE WITH ALL MEMBERS IN FINDING WAYS TO BEST ADVANCE OUR
COMMON COMMITMENT TO HUMAN RIGHTS AND THE FULFILLMENT OF BASIC
HUMAN NEEDS WHILE AT THE SAME TIME INSURING THE INTEGRITY AND
EFFECTIVENESS OF ALL THE DEVELOPMENT BANKS. BUT NO NATION CAN
CONTINUED TO HAVE A DOMESTIC CONSENSUS IN FAVOR OF PROVIDING
ASSISTANCE TO OTHER COUNTRIES IF ITS OWN SENSE OF DECENCY IS
OFFENDED BY THE ACTIVITIES OF THE GOVERNMENTS OF THE COUNTRIES
RECEIVING ASSISTANCE.
ANOTHER AND QUITE DIFFERENT MATTER THAT AFFECTS THE
ABILITY OF THE U.S. GOVERNMENT TO MAINTAIN PUBLIC SUPPORT FOR
INTERNATIONAL DEVELOPMENT INSITUTIONS IS THAT OF ADMINISTRATIVE
ARRANGEMENTS, ESPECIALLY THE SALARIES AND BENEFITS ENJOYED BY THE
STAFFS OF THESE INSTITUIONS. THE BANKS ARE WIDELY VIEWED IN
THE UNITED STATES AS PUBLIC AGENCIES, AND ARE THEREFORE MEASURED
AGAINST STANDARDS APPROPRIATE FOR THE USE OF TEXPAYERS FUNDS.
WE BELIEVE THAT THE BANK SHOULD PURSUE POLICUES THAT GRADUALLY
BRING THE COMPENSATION OF ITS STAFF MORE IN LINE WITH THAT OF
REPRESENTATIVE PUBLIC AND PRIVATE SECTORS.
TO THE CREDIT OF THE INSTITUTION, CORRECTIVE ACTION HAS
BEEN TAKEN IN A NUMBER OF OTHER ADMINISTRATIVE AREAS -- SUCH AS
FIRST CLASS TRAVEL, SPOUSE TRAVEL AND ANNUAL MEETING ARRANGEMENTS.
BUT THE CENTRAL ISSUE OF STAFF COMPENSATION CONTINUES TO REQUIRE
ACTION URGENTLY. A SPECIAL COMMITTEE IS AT WORK ON THE ISSUE IN
THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND; ITS CONCLUSIONS
WILL ROVIDE A USE FUL REFERENCE FOR ACTION WHICH WE HOPE ALL THE
INTERNATIONAL FINANCIAL INSTITUTIONS WILL PROMPTLY FOLLOW.
DISSATISFACTION ON MATTERS SUCH AS HUMAN RIGHTS AND
SALARIES, ALONG WITH THE SHEER INCREASE IN THE MAGNITUDE OF
MONEY INVOLVED, HAVE LED TO THE RELUCTANCE IN OUR CONGRESS TO
FUND FULLY OUR RECENT APPROPRIATIONS REQUESTS. IN ADDITION
UNCLASSIFIED

PAGE 12 STATE 098788

TO THE DOLS650 MILLION WHICH WE ARE SEEKING AS NEW APPROPRIATIONS
THIS YEARS, THERE REMAIN CARRYOVER APPROPRIATIONS REQUESTS FOR
DOLS 264 MILLION OF FUNDS WHOSE ORIGINAL DUE DATES HAVE PASSED.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

OF THE LATTER AMOUNT, DOLS125 MILLION IS FOR THE FUND FOR SPECIAL OPERATIONS.
WE ARE MAKING AN INTENSIVE EFFORT WITH THE CONGRESS TO OBTAIN THE FUNDS TO COVER ALL PLEDGES PAST DUE, AS WELL AS TO OBTAIN THE FULL AMOUNT OF CURRENT APPROPRIATIONS. THIS EFFORT ENGAGES THE HIGHEST LEVELS OF OUR ADMINISTRATION, AND THERE IS REASON TO HOPE THAT A LARGE MEASURE OF SUCCESS WILL BE REALIZED.

THE FUTURE OF THE IDB

FUTURE RESOURCES OF THE BANK MUST CONCERN US AT THIS MEETING AS MUCH AS RESOURCES PREVIOUSLY AGREED ON. WE HAVE ALREADY AGREED ON ARRANGEMENTS FOR DETAILED DISCUSSION OF THE NEXT REPLENISHMENT OF FUNDS. THESE DISCUSSION WILL CONCENTRATE ON THE REPLENISHMENT SIZE, ITS COMPOSITION BY WINDOW, THE PURPOSES TO WHICH THE FUNDS ARE APPLIED AND WHERE, THE CRITERIA FOR DETERMINING WHO WITHIN A BORROWING COUNTRY SHALL BENEFIT FROM THEM, AS WELL AS CERTAIN ADMINISTRATIVE ISSUES. NEEDLESS TO SAY, THE U.S. ADMINISTRATION WILL WORK IN CLOSEST CONTACT WITH OUR CONGRESS AS THE REPLENISHMENT DISCUSSIONS PROCEED; WE HAVE COMMITTED OURSELVES TO DO SO, AND NO REPLENISHMENT UNDERSTANDING WOULD BE OF PRACTICAL VALUE WITHOUT IT.
ALTHOUGH WE HAVE NO FIXED VIEWS YET AS TO THE SPECIFICS OF THE REPLENISHMENT, IT MAY BE USEFUL TO PUT FORWARD SOME ISSUES WHICH WE BELIEVE SHOULD BE CONSIDERED DURING THE COMING DISCUSSIONS.
FIRST, IN LIGHT OF LATIN AMERICA'S ADVANCED STAGE OF ECONOMIC DEVELOPMENT COMPARED TO OTHER AREAS OF THE WORLD, WE FORESEE A REPLENISHMENT IN WHICH FSO RESOURCES WILL DECLINE IN
UNCLASSIFIED

RELATIVE IMPORTANCE TO CAPITAL RESOURCES. LATIN AMERICAN HAS PROGRESSED TO A POINT WHERE THE NEED FOR RISING LEVELS OF CONCESSIONAL FINANCING MAY NO LONGER BE JUSTIFIED. THIS RELATIVE SCARCITY OF FSO FUNDS WILL FORCE ON US HARD CHOICES IN THE ALLOCATION PROCESS.
SECOND, WE MUST BE EVER MINDFUL OF THE NEEDS OF THE DISADVANTAGED PEOPLE IN THE AREA. WE ANTICIPATE THAT AN INCREASING PROPORTION OF THE BANK'S RESOURCES WILL BE DEVOTED TO BENEFITTING LOW INCOME BENEFICIARIES IN BOTH RURAL AND URBAN AREAS. THERE IS A STRONG NEED TO IMPROVE THE DEFINITIONS OF WHO WITHIN A SOCIETY IS POOR AND WHAT TYPES OF LOANS ARE CONSIDERED AS PRIMARILY SERVING THEIR NEEDS.
THIRD, WE BELIEVE IT WOULD BE APPROPRIATE TO MAKE AVAILABLE ALL REPLENISHMENT RESOURCES IN CONVERTIBLE CURRENCIES FREELY USABLE BY THE BANK. ALTHOUGH THE BANK HAS MADE USE OF FSO NATIONAL CURRENCY CONTRIBUTIONS, AND TO A LIMITED DEGREE OF SUBSCRIBED OC NATIONAL CURRENCIES AS WELL, RESOURCES IN THIS FORM HAVE GIVEN RISE TO NUMBEROUS ADMINISTRATIVE COMPLICATIONS. RATHER THAN ADD TO THESE, IT MIGHT BE PREFEREABLE FOR THE CONTRIBUTIONS TO THE FSO REPLENISHMENT TO CONSIST EXCLUSIVELY OF CONVERTIBLE CURRENCY.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

TO ACHIEVE THIS CHANGE MIGHT REQUIRE A DIFFERENT METHOD OF
DETERMINING CONTRIBUTIONS IN ORDER TO ENSURE EQUITABLE BURDEN
SHARING.

CONCLUSION

THE KEY QUESTION IN THE COMING YEARS IS NOT WHAT KIND
OF BANK WE WISH TO SEE. IT IS WHAT KIND OF LATIN AMERICAN
SOCIETIES WE -- THE DONOR MEMBERS AND THE LATIN AMERICA MEMBERS
TOGETHER -- WISH TO STRIVE TOWARD: WHAT KIND OF IMPROVEMENTS
IN THE DAILY LOT OF THE BROAD MASS OF THEIR CITIZENRY; THAT KIND
OF REALIZATION OF THE HOPES FOR GREATER FULFULLMENT OF INDIVIDUAL
AND NATURAL POTENTIAL; WHAT KIND OF RELATIONS OF ONE LATIN AMERICAN
COUNTRY WITH ANOTHER, AND OF NATIONAL AND REGIONAL RELATIONS WITH TH
E

UNCLASSIFIED

PAGE 14 STATE 098788

REST OF THE WORLD.

THE ORIGINAL ESTABLISHMENT OF THE BANK EIGHTEEN YEARS
AGO WAS AN ACT OR VISION, EVEN IDEALISM, BY PRAGMATIC FINANCIAL
LEADERS OF THAT TIME. OUR TASK NOW, AS FINANCIAL LEADERS CONCERNED
WITH THE ARCHITECTURE OF THE INTERNATIONAL ECONOMY IN THE
APPROACHING DECADE OF THE NINETTEN EIGHTIES, IS TO DEMONSTRATE
AGAIN THAT MIX OF PRAGMATISM AND VISION, TO RECOGNIZE THE IMMENSE
PROGRESS THAT HAS BEEN ACHIEVED IN THE HEMISPHERE, AND TO FOCUS
MORE SHARPLY ON THE REMAINING PROBLEMS. THE ANSWES FOR THIS BANK
DO NOT LIE WITH EXTERNAL RESOURCES ALONE, BUT WITH THE AGILITY,
FLEXIBILITY AND WISDOM OF THEIR APPLICATION.
IT IS POSSIBLE TO BREAK THE MOLDS OF THE PAST IN ORDER
TO LAY THE GROUNDWORK FOR A BRIGHTER FUTURE. OUR WILLINGNESS TO
CONSIDER CONSTRUCTIVELY MANY OF THE INITIATIVES FROM THE NORTH-
SOUTH DIALOGUE TESTIFIES TO OUR COOPERATION IN THE ECONOMIC SPHERE.
IT IS IN THIS SPIRIT OF SUPPORT AND CREATIVITY THAT WE APPROACH
THE FUTURE OF THIS BANK.

LUPPI UNQTE CHRISTOPHER

UNCLASSIFIED

<< END OF DOCUMENT >>

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT BANKS, MEETINGS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE098788
Document Source: ADS
Document Unique ID: 00
Drafter:
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780166-0359
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197804109/baaafclg.tel
Line Count: 530
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 8c38bda6-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2830253
Secure: OPEN
Status: NATIVE
Subject: IDB MEETING: TREASURY DEPUTY SECRETARY CARSWELL S SPEECH
TAGS: EFIN, US, XM, XL, IDB, (CARSWELL, ROBERT)
To: WHITE HOUSE NIACT
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/8c38bda6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014